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June 29, 2001

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JUN 29 2001

Magalie Roman Salas

Secretary

Federal Communications Commission

445 Twelfth Street, SW

Room TWB-204

Washington, D.C. 20554

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

*Re: Ex Parte Presentation in CC Docket No. 96-98*

Dear Ms. Salas:

Today, Joseph Gillan and I, representing the Promoting Active Competition Everywhere ("PACE") Coalition, and Robert Quinn, representing AT&T, met with Jonathan Reel of the Policy Division of the Common Carrier Bureau, regarding the above-referenced proceeding.

During the meeting, we discussed proposals urging modification of the current rule governing when and where unbundled local switching ("ULS") must be made available to competitors. We urged the Commission to increase its line-based restriction to reflect the point at which a customer is sufficiently large to justify a high-speed connection to a CLEC-provided switch. The attached document was used during this presentation.

In accordance with Section 1.1206 of the Commission's rules, an original and one copy of this letter is being filed with your office.

Sincerely,

*G. Morelli*  
Genevieve Morelli

cc: Jonathan Reel

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**I. CLEC Switches Serve Different Customers than UNE-P**

- \* CLEC-provided switches focus on digital services (DS-1 and above).
- \* CLEC-provided switches offer service in concentrated geographic areas.
- \* CLEC-provided switches achieve volumes that are a fraction of the volumes achieved via UNE-P.

**Conclusion:** The presence of CLEC-provided switches fails to prove the absence of impairment if local switching is no longer offered as a UNE.

**II. The Analog Business and Residential Markets Are Identical From a Supply and Impairment Analysis Perspective.**

- \* Residential and small business competition are inherently linked – carriers are impaired without an ability to efficiently use their infrastructure to serve both.
- \* The distinction between residential and small business (i.e. analog) customers is a result of retail pricing differences in ILEC tariffs, not tangible network differences.

**III. Geographic Limitations on the Availability of UNE-P to Serve Analog Customers Significantly Impair a Carrier's Ability to Offer Mass-Market Services.**

## CLEC Switches Serve Different Customers

- \* Focal Communications Corp. has informed the Commission that it “...concentrates exclusively on customers that have a current need for DS1 communications functionality or higher”
- \* WorldCom’s facilities-based strategy is used to serve digital customers with either T-1 or ISDN-PRI needs, connecting to digital PBXs that typically aggregate at least 30 analog lines
- \* CBeyond has admitted that it has no intention of serving analog customers at all – it only intends to serve customers using high-speed, digital (DS-1) facilities
- \* ALTS specifically describes its members as “providers of high-speed” services

## Comparative Market Coverage

	<b>Access Integrated Networks</b>	<b>Allegiance Telecom</b>
Mode of Entry	UNE-P	UNE-Loop
Geographic Focus	Generally Statewide	Limited Areas of City
Markets Entered	8 States	27 Cities
End-Offices Served	738	636
COs per Market	92	24

## Voice Grade Equivalents per Customer (XO Communications)

	4 <sup>th</sup> Q 1999	1 <sup>st</sup> Q 2000	2 <sup>nd</sup> Q 2000	3 <sup>rd</sup> Q 2000	4 <sup>th</sup> Q 2000	1 <sup>st</sup> Q 2001
VGEs/Customer	51.9	66.6	75.2	112.6	127.8	162.1
Average added in 2000	215.0					
Average added during 1 <sup>st</sup> Quarter of 2001						921.6

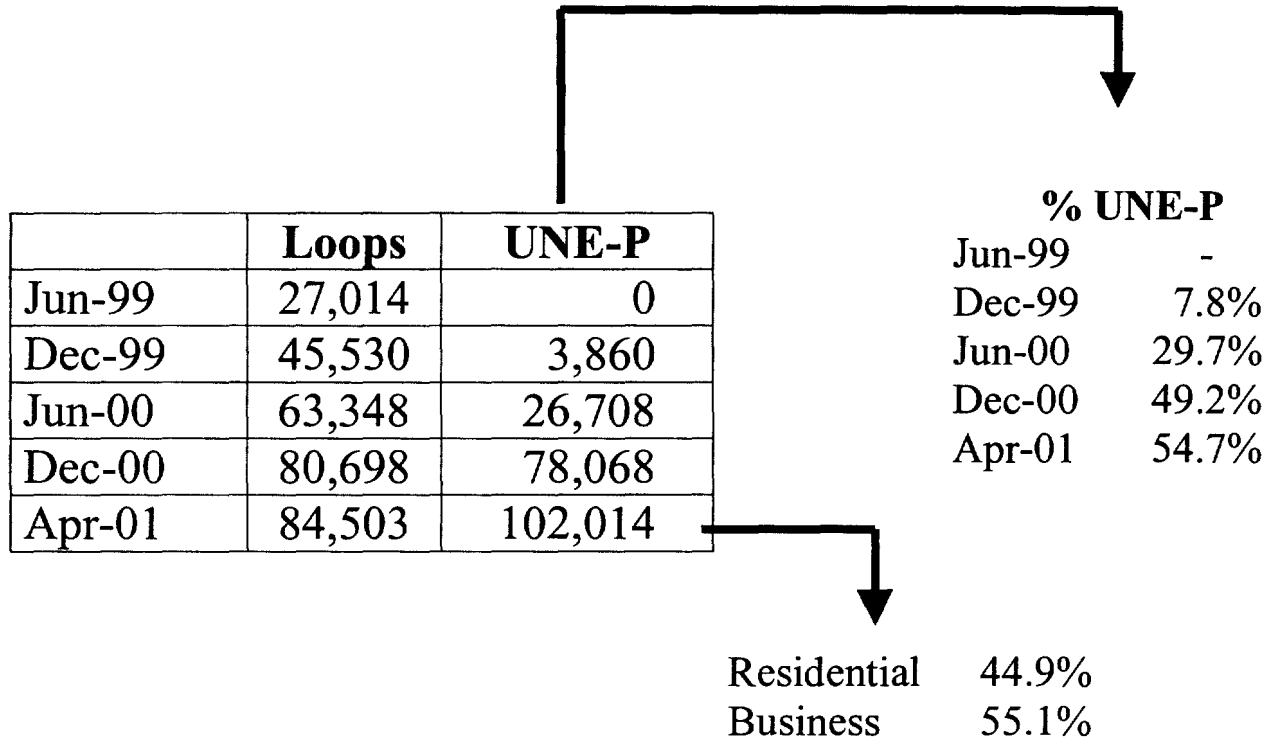
**Market Foreclosure Under Allegiance/Verizon  
Approach**  
(BellSouth Region)

State	Percentage of States' Population in Excluded Markets	Percentage of Small Businesses in Excluded Markets Measured by:		
		Firms	Employees	Payroll
Alabama	33%	35%	35%	40%
Florida	46%	54%	46%	56%
Georgia	47%	55%	53%	63%
Kentucky	25%	29%	30%	34%
Louisiana	42%	45%	45%	49%
North Carolina	46%	51%	51%	58%
South Carolina	36%	39%	39%	43%
Tennessee	52%	57%	58%	65%
Total	43%	49%	46%	54%

**Limitations on UNE-P Harm Both  
Residential and Business Customers**  
(Average Provisioning Levels – Oct-00 to Feb-01 – New York)

Entry Strategy	Residential	Business
Loops with Unbundled Local Switching	218,539	16,449
Stand-Alone Loops (Hot Cuts)	0	4,520
Total	218,539	20,969
Reduction in competition without UNE-P	100%	78.4%

## UNE-P Based Competition is Growing in Importance<sup>1</sup> (Georgia)



### BellSouth Regionwide

State	UNE Platform		% UNE-P Business
	Residential	Business	
Alabama	7,770	16,377	67.8%
Florida	12,934	43,098	76.9%
Georgia	45,852	56,162	55.1%
Kentucky	3,251	11,056	77.3%
Louisiana	4,287	4,131	49.1%
Mississippi	2,086	7,042	77.1%
North Carolina	17,281	6,946	28.7%
South Carolina	2,016	14,067	87.5%
Regionwide	95,477	158,879	62.5%

<sup>1</sup> Source: BellSouth Section 271 Applications and Supporting Affidavits